

# Next Generation Pharmacy Program: Pharmacy Reimbursement

Ohio Department of Medicaid Pharmacy Program

June 17, 2022

Presenters:

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#### Ohio launches probe of PBM practice that critics say gouges patients and taxpayers



#### State-warned-againstpharmacy·middlemen's· Whack-a-Mole¶

By-Catherine-Candisky-and-Marty-Schladen-/-The-Columbus-Dispatch-/-GateHouse-Media-Ohio

As-Ohio-seeks to reduce-costs and bring more transparency to Medicaid's \$3. billion plus prescription drug program, experts warn: Don't solve one probler

Pharmacy-benefits managers, who are the middlemen in the process of pricing and paying for prescription drugs through various insurance programs, are the

"They (state-officials) have to watch all areas of contracts to mo no loopholes for pharmacy benefit managers to Marc-A.-Sweeney, dean-of-Cedarville

One way has been to crush local pharmacy providers with low reimbursements for the drugs they dispense while billing state Medicaid programs Cadillac rates for the same drugs for which PBMs underpaid.

The Ohio Pharmacists Association has said that the pharmacy benefit managers keep too much of the money they manage and pay pharmacists too little for prescription drugs, pushing some to sell or go out of business.

'I just see fraud all over this': Insiders detail how clawbacks drive up drug orices, hurt pharmacies The Columbus Dispatch

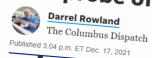
struggle



Without greater scrutiny and accountability of *PBMs*, the current health care inequities that plague our most vulnerable will only become more severe.

Billions of dollars potentially at stake for consumers, taxpayers in new probe of PBM fees

CVs yet to reverse cuts to



The Columbus Dispatch

Reining in pharmacy middlemen a

state's latest stab at reform turns up one

Ohio Medicaid taking greater control of prescription drug coverage

Catherine Candisky The Columbi

Posted Jun 27, 2018 at 7:15 PM Updated Jun 28, 2018 at 6:03 AM Pharmacy middlemen are cl



io taxpayers three to six ti and disabled

One of the more egregious means by which PBMs manage to pad their profits is by exploiting the power they were gifted in managing state Medicaid programs. Medicaid is designed to cover health care expenses for the most poor and vulnerable. Within these state-based programs, PBMs have been pulling the wool over the eyes of

**Prospect of lower fees for** 



prescription drugs could be dashed by new maneuver from PBMs **Darrel Rowland** The Columbus Dispatch Published 6:40 a.m. ET April 14, 2022 Updated 12:52 p.m. ET April 15, 2022



## **Role of the Single PBM**

HB 166 of the 133<sup>rd</sup> Ohio General Assembly required Ohio Medicaid to select a single PBM to address:

- Lack of transparency.
- Disconnect between pharmacy reimbursement and overall costs to the Medicaid program (spread pricing).
- Potential conflict of interest related to a retail pharmacy chain that is affiliated with one of the Medicaid PBMs and reported reductions in pharmacy reimbursements.
- Impact of reductions in pharmacy reimbursement on access to care, particularly in rural communities.

## PBMs & Ohio Medicaid – How did we get here?

- The Ohio General Assembly instructed ODM to adopt a single pharmacy benefit manager (SPBM) following the release of a 2018 Health Data Solutions report stating the PBMs were paid \$224 million by Medicaid
- The glaring lack of transparency was brought to light
- ODM and stakeholders identified several issues in the PBM system:
  - » Spread pricing
  - » Pharmacy benefit program was a black box with no visibility
  - » Specialty Pharmacy and MCO steerage to their preferred pharmacies
  - » Duplicative prescriber burden processes and requirements vary for each of the 6 managed care plans
  - » Rebates
  - » Dispensing fees and pricing model
  - » Access to rural pharmacies



## **SPBM Transparency**

SPBM brings transparency to pharmacy claims receipts, status, and payment to pharmacies

- NO spread pricing
- NO clawbacks
- NO steerage
- NO conflicts of interest
- NO fees, grants, chargebacks, or other payments
- NO mystery

Ohio Medicaid's focus is to **ensure** that Medicaid enrollees have access to quality healthcare, including pharmacy benefits, and taxpayers get a fair price.



#### **Ohio's Next Generation Medicaid Program**

**Mission Statement** 



#### **Abbreviations**

- SPBM: Single Pharmacy Benefit Manager
- MSLC: Myers and Stauffer
- PPAC: Pharmacy Pricing and Audit Consultant
- OAAC: Ohio Average Acquisition Cost
- WAC: Wholesale Acquisition Cost
- U&C: Usual and Customary
- DF: Dispensing Fee
- AAC: Average/Actual Acquisition Cost
- FFS: Fee-for-service

#### **Presentation Outline**

- Ohio Department of Medicaid
  - » Overview of Next Generation Pharmacy Program reimbursement structure
  - » Dispensing Fee Overview/Philosophy
  - » SPBM Tier Scoring Methodology
  - » SPBM Dispensing Fee Tiers/Rates
  - » Dispensing Fee Operational Considerations
- Myers and Stauffer (PPAC)
  - » OAAC Review
  - » OAAC Rates
  - » OAAC Operational Considerations
- Gainwell Technologies (SPBM)
  - » Contracting Timelines/Next Steps
- Live Question and Answer Session (time permitting)

## **SPBM** and **Managed** Care

- ODM is building its next generation of managed care by integrating components such as the SPBM
- The objectives for the SPBM support the goals of Ohio's next generation of managed care by:
  - » Putting the individual first, personalizing the care experience
  - » Helping providers deliver better care through reduced administrative burdens
  - » Achieving program transparency and accountability
  - » Ensuring fairness and equity in reimbursement structure
  - » Improving wellness and health outcomes
  - » Supporting children and adults with complex needs



## Managed Care Pharmacy Benefit: Current Landscape

- Average Wholesale Price (AWP)-based pricing
- Complicated contracts that aggregate multiple lines of business
- Not transparent
- Effective Rate Contracting and associated clawbacks
- Unnecessary and burdensome fees, such as Network Transmission Fees
- Pharmacy reimbursement driven by patient mix/drug mix

\$0.73

Current
Average
MCO PBM
Dispensing Fee



# **SPBM: Ingredient Cost**

Drug Type	Methodology	
Brand and Generic – Non-Specialty	<ul> <li>Lesser of</li> <li>OAAC plus dispensing fee (DF)</li> <li>National Average Drug Acquisition Cost (NADAC) plus DF</li> <li>WAC plus DF</li> <li>Submitted/Usual and Customary Charges (U&amp;C)</li> </ul>	
Brand and Generic – Specialty	<ul> <li>Lesser of</li> <li>OAAC plus specialty DF</li> <li>NADAC plus specialty DF</li> <li>WAC plus specialty DF</li> <li>Submitted/U&amp;C</li> </ul>	
Clotting Factor	<ul> <li>Lesser of</li> <li>OAAC plus <u>clotting factor</u> dispense fee</li> <li>Submitted/U&amp;C</li> </ul>	
340B	<ul> <li>Per Ohio Revised Code 5167.123</li> <li>NADAC plus DF</li> <li>If no NADAC, WAC plus DF</li> </ul>	



## **SPBM Ingredient Cost Projections**

• Per ODM/PPAC projections, pharmacies will be reimbursed:

Percentage of claims that are projected to be reimbursed at the indicated pricing metric				
Rate Method	Brand Drug Products	Generic Drug Products	Specialty Drug Products	
NADAC	64%	7%		
WAC	10%	4%	38%	
OAAC	21%	81%	60%	

<sup>\*</sup> The above rates were obtained from a point-in-time analysis and represent approximate proportions of claims payment with the listed pricing metrics. Individual provider experience may vary.

#### **Dispensing Fee Structure**

- Dispensing Fees for all medications under the pharmacy benefit are determined at both the provider and medication level
- Specialty Pharmacies typically incur higher costs due to accreditation requirements, shipping/handling requirements, staff training, and more extensive patient counseling and regulatory requirements
- Standard Dispensing Fees/Base
  - » Based upon provider, 3 tiers in overall program
  - » Specialty Pharmacy providers, as defined by ODM, will be placed in Tier C (highest level)
  - » Critical consideration: access for members
- Specialty Medication Dispensing Fees
  - » For qualified providers dispensing specialty medications, an additional specialty dispensing fee component will be added to the base dispensing fee
- Clotting Factor Dispensing Fees
  - » For qualified providers dispensing clotting factor products, an additional clotting factor dispensing fee component will be added to the base dispensing fee
  - » Critical consideration: Access for members with bleeding disorders

#### **Dispensing Fee Considerations**

- PPAC Fiscal Analysis
- Provider-level impacts
- Use of AAC-based ingredient cost reimbursement (small vs. large providers)
- Use of familiar and accepted metrics for setting dispensing fees
  - » Supplemental/Tiered dispensing fee methodology
  - » Fee-for-service dispensing fee methodology
- Cost of Dispensing Survey (last updated: 2020, due for update this fall)
  - » VERY IMPORTANT for all pharmacy providers to participate
  - » Total prescription volume attestation is used to assist in setting SPBM dispensing fee tiers
- Note: Dispensing fees under the fee-for-service program will remain as specified in OAC 5160-9-05

#### **Dispensing Fees: Philosophy**

- Fiscally responsible budget neutral for the State
- Encourage providers to locate in "pharmacy deserts"
- Adequately reimburse for services provided
- Minimize provider impact versus current structure, especially adverse impacts
- Fairness
  - » Low-volume providers are likely not able to purchase drugs at the same rate as large nationals
  - » Providers with high Medicaid volume
- Tiered Structure
- Improvement over FFS-style dispensing fees
- Value-Based Reimbursement (future consideration)



# **Tier Scoring Methodology**

#### Component 1: Total Pharmacy Script Volume (FFS), Annual

1 pt 75,000 prescriptions or greater

2 pts 50,000 – 74,999 prescriptions

3 pts Less than 50,000 prescriptions

0 pts No data

#### Component 2: Ohio Medicaid Volume as a Proportion of Total Script Volume

6 pts Upper 1/3 of all pharmacies (current: >= 23.2%)

4 pts | Middle 1/3 of all pharmacies (current: >=11.5%)

2 pts Lowest of 1/3 of all pharmacy (current: less than 11.5%)

0 pts No data

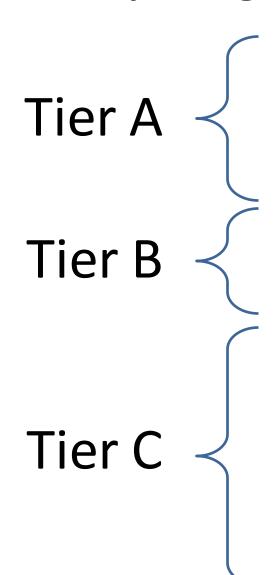
**Total Score = Component 1 + Component 2** 

(min: 0 points, max: 9 points)

## **Automatic Tier C (highest tier)**

- Specialty Pharmacy designation from SBOP Pharmacy Roster
- Pharmacies that dispense > 5% ODM-defined specialty medications
- Pharmacies that fill > 46.4% Ohio Medicaid prescriptions as percent of total volume
   » Greater than 2x the upper tier cutoff (currently 23.2%)
- Indicated on Dispensing Fee Dashboard as "Automatic Tier C?" = "Yes"

#### **SPBM Dispensing Fees**



## \$7.64 per claim

- Pharmacies obtaining less than/equal to 5 points per Tier Scoring Methodology
- Pharmacies for which insufficient information is available
- (COD Survey noncompliance)

# \$8.75 per claim

• Pharmacies obtaining 6-7 points per Tier Scoring Methodology

# \$10.50 per claim

• Pharmacies obtaining 8-9 points per Tier Scoring Methodology

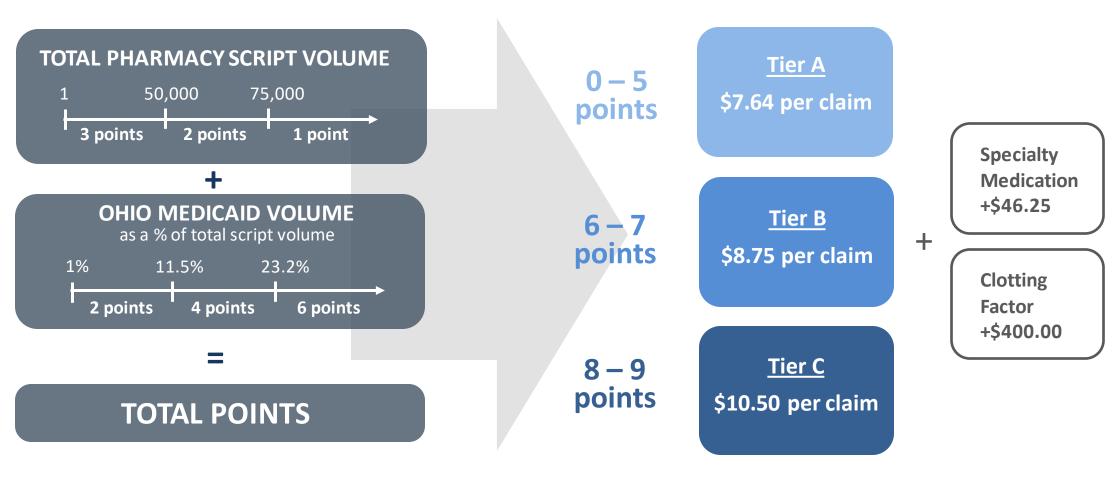
## **Automatic Tier C Qualifiers:**

Specialty Pharmacy designation from SBOP Pharmacy Roster
Pharmacies that dispense > 5% ODM-defined specialty medications
Pharmacies that fill > 46.4% Ohio Medicaid prescriptions as percent of total volume

## **SPBM Dispensing Fees (Continued)**

- Specialty Medication Dispensing Fee: Base + \$46.25
  - » Only for medications appearing on SPBM Specialty Medication List
- Clotting Factor Dispensing Fee: Base + \$400.00
  - » These providers typically have a significantly higher average cost of dispensing due to assay management, specialized shipping/handling requirements, patient counseling, etc.
  - » Prescription volume also significantly lower vs. standard pharmacy

#### **Recap SPBM Dispensing Fees**



Automatic Tier A: Insufficient information

Automatic Tier C: Specialty Pharmacy designation OR > 5% ODM-defined specialty medications OR > 46.4% Ohio Medicaid prescriptions

## **Operational Considerations**

- ODM will host a dashboard where providers can look up their tier by NPI and see their point totals for each metric and dispensing fee amount
  - » Available at: <a href="https://managedcare.medicaid.ohio.gov/managed-care/single-pharmacy-benefit-manager">https://managedcare.medicaid.ohio.gov/managed-care/single-pharmacy-benefit-manager</a>
- Providers will be able to request a redetermination at any time, with justification
  - » Via email: MedicaidSPBM@medicaid.ohio.gov
  - » Adjustments will be prospective
- Scheduled annual redeterminations will occur in December
  - » Re-analysis of volume data and Ohio Medicaid claims ratios for prior year
  - » Updated COD Survey data (survey performed in even-numbered years)
  - » January 1 effective date
- New providers will be reimbursed at Tier A until sufficient data available
  - » At least 1 month of claims data PLUS attestation of volume and medicaid percentage
  - » Changes, in these cases, will be prospective

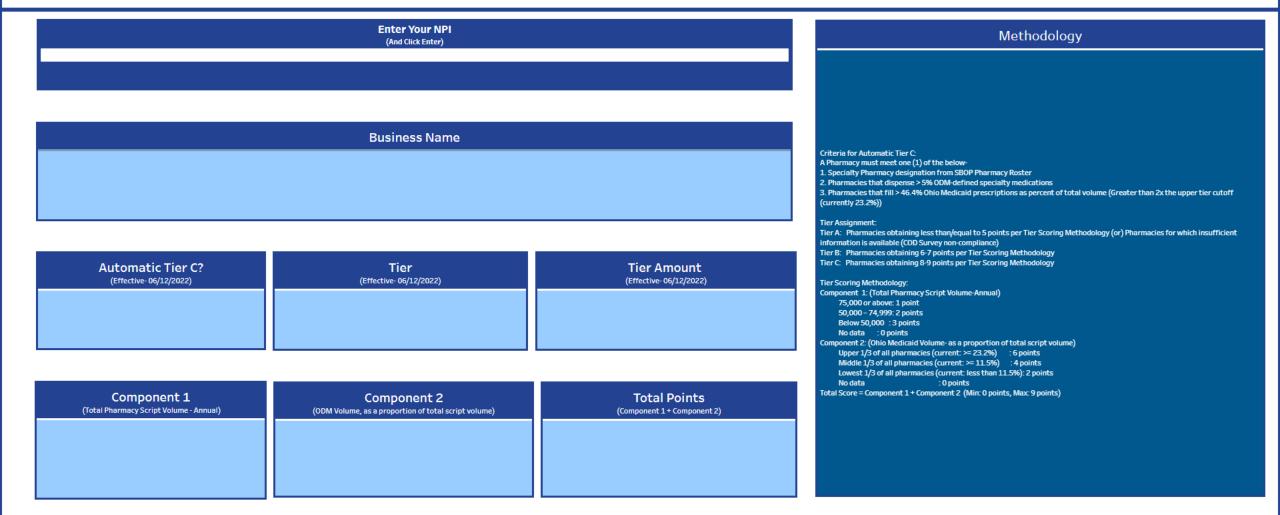
## **Operational Considerations (Continued)**

- SPBM dispensing fees may change as a result of the annual redetermination process or Cost of Dispensing Survey results
  - » Example: shift in Ohio Medicaid volume or total prescription volume
- Tier Scoring Methodology "cutoff" values may change
  - » Ultimate determination will be based upon upper/middle/lower thirds
  - » Based on ODM utilization data and provider surveys
- SPBM Dispensing Fees will have no impact on the Supplemental Dispensing Fee Program or tier structure
  - » Payments will continue to be made quarterly for claims through state fiscal year 2023



## **SPBM Dispensing Fee Dashboard: Example**







## SPBM Dispensing Fee Dashboard: Example





## **SPBM Dispensing Fee Dashboard**



Learn About MANAGED CARE

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NEWS



Help Search

MC Procurement / Managed Care / Single Pharmacy Benefit Manager / Ohio Medicaid Single Pharmacy Benefit Manager (SPBM)



#### Ohio Medicaid Single Pharmacy Benefit Manager (SPBM)

#### **Managed Care**

Next Generation of Ohio Medicaid Managed Care

Managed Care Procurement

OhioRISE (Resilience through Integrated Systems and Excellence)

Single Pharmacy Benefit Manager

Fiscal Intermediary

PNM & Centralized Credentialing

About Ohio's Current



Today, each of Ohio Medicaid's managed care organizations (MCOs) contracts with a separate pharmacy benefit manager (PBM) for its members. In 2019, the Ohio Legislature directed ODM to make a shift in the program and select and contract with a single PBM (SPBM). ODM's goals for SPBM are to improve management and administration of pharmacy benefits for managed care recipients. Through SPBM, ODM will gain increased financial accountability and ensure alignment with our clinical and policy goals, while also improving transparency.

In October 2022, the SPBM will begin providing pharmacy services across all managed care nlans and members. Until the SPRM ones live in October 2022, there is no change to the current Share this





#### For more information

**SPBM Summary** 

SPBM Dispensing Fee Dashboard

SPBM Stakeholder FAQ - October 2021

SPBM Stakeholder FAQ - May 2022

03/11/2022 SPBM PPAC Webinar (slide deck)

03/11/2022 SPBM PPAC Webinar (recording)

04/15/2022 Specialty Pharmacy Webinar (slide deck)

04/15/2022 Specialty Pharmacy Webinar (recording)

Mailbox:

#### **OAAC Overview**

#### Program Specifics

- » Calculated as the average acquisition cost based on surveys of pharmacies enrolled in Ohio Medicaid.
- » Does not adjust for off-invoice adjustments between the pharmacies and manufacturer.
- » Reflective of the market conditions specific to Ohio pharmacies.
- » Recalculated semi-annually during April and October OAAC survey processes.
- » Updated weekly based on changes in published pricing and market fluctuations.
- » Provider help desk available for OAAC rate reviews, Monday Friday, 8:00 am to 8:00 pm ET.
- » One of many state AAC programs administered by Myers and Stauffer, including the CMS NADAC.

#### OAAC To Date

- » April 2022 survey completed (included all enrolled pharmacies).
- » DRAFT OAAC rates to be posted to Myers and Stauffer website on 6/17/2022.

#### Upcoming Items

- » OAAC rates adjusted for market changes (i.e., published pricing) to be implemented with SPBM go-live in October 2022.
- $\Rightarrow$  October OAAC survey to begin 10/1/2022 collecting September invoices. Will include a representative sample of ODM pharmacies.

#### **Initial OAAC Rates Posting**

- What? Initial OAAC rates calculated from the April 2022 OAAC survey adjusted for market changes.
- Where? Posted to <a href="https://myersandstauffer.com/client-portal/ohio/">https://myersandstauffer.com/client-portal/ohio/</a>.

#### **Ohio Medicaid Pharmacy Pricing Information**

#### OAAC Price Listings

The following Brand and Generic OAAC Price Listings are updated weekly and include current and historical OAAC pricing by product for up to a two year period. If you have trouble opening or downloading the files, please contact Myers and Stauffor at 800 591 1183 and ask for the Ohio pharmacy unit (Please check back on October 1, 2022.)

- How? Posted in an Excel file format at the National Drug Code (NDC) level.
- Why? To provide pharmacies with a preview of OAAC rates and the ability to perform fiscal modeling.
- When? Posted on 6/17/2022.

\*Important\* The initial posting of OAAC rates are reflective of invoice costs from March 2022 that were adjusted based on pricing changes between March 31, 2022 and June 17, 2022. OAAC rates will also be adjusted prior to SPBM implementation. For fiscal modeling and comparisons, they should be compared to other pricing benchmarks (e.g., discounted AWP, NADAC or WAC) as of June 17, 2022.

## **OAAC Operational Considerations – Help Desk Overview**

General OAAC Program Questions

» Phone: 800.591.1183

» Email: OHPharmacy@mslc.com

- OAAC Rate Inquiries Beginning 10/1/2022
  - » Fillable form or online form to be located at: <a href="https://myersandstauffer.com/client-portal/ohio/">https://myersandstauffer.com/client-portal/ohio/</a>
  - » Submit online form or email fillable form to <a href="OHPharmacy@mslc.com">OHPharmacy@mslc.com</a> along with copies of your purchase records for the NDC(s) in question.

#### **OAAC Rate Reviews**

The following documents and links contain information on the OAAC rate review process and how providers can submit OAAC rate review requests and inquiries to Myers and Stauffer by form or online submission. (Please check back on October 1, 2022.)

# Submit Your Rate Request Online

(Please check back on October 1, 2022.)

- Acknowledgment will be provided within 24 hours.
- Review will start upon receipt of all proper documentation.

## **OAAC Operational Considerations – OAAC Rate Inquiries**

- Provider's purchasing cost will be evaluated against the following conditions:
  - » Is cost inside or outside of the range of invoice costs used to set current OAAC rate?
  - » Is cost reflective of current market conditions (i.e., availability, shortages, etc.)?
  - » Has cost increased relative to prior costs received from the same provider?
  - » Is there an alternative NDC available to the provider at a lower price?
  - » Are other providers experiencing the same purchasing limitations?
  - » What is the provider's overall reimbursement on the claim?
- After evaluation by a pharmacy technician, analyst, and pharmacist, an OAAC rate adjustment may be proposed. Any OAAC rate adjustment proposals will be sent to ODM for final approval (48 hour turnaround). Approved rate changes will be sent to the SPBM for implementation upon ODM approval.
- If OAAC rate changes are approved, rates will be back-dated to cover the dispensing date included in the rate inquiry.
- If an OAAC rate update is not warranted (i.e., denied), to the extent possible, alternative purchasing options that demonstrate product availability below the current OAAC rate can be provided. For example, there may be alternative NDCs that are reported by other providers to be less expensive. This approach serves to educate pharmacy providers on prudent purchasing practices.

## **OAAC Operational Considerations – Weekly Updates & Maintenance**

- For brand OAAC rates, Myers and Stauffer will monitor changes to published WAC pricing (AWP if no WAC available) on a weekly basis and adjust OAAC rates based on these changes. Rates will be retroactively adjusted to account for price change reporting lags between manufacturers and data compendia sources such as First Databank and Medispan.
- For generic OAAC rates, Myers and Stauffer will continually monitor market purchase conditions and adjust generic OAAC rates accordingly.

\*Important\* OAAC rates are calculated directly from the costs submitted by Ohio Medicaid participating providers. Therefore it is imperative for providers to participate in the semi-annual surveys and use the mechanisms in place to report changes in acquisition costs via the provider help desk.

## **OAAC Operational Considerations – Weekly Update Example**

- The following example displays how brand OAAC rates would be updated in congruence with published WAC pricing increases and corresponding NADAC pricing increases.
- It is important to note that Myers and Stauffer is reliant on the timely reporting of WAC pricing increases to the drug compendia sources. However, all brand OAAC pricing increases due to WAC increase will be set effective as of the day of the WAC pricing increase to allow providers to rebill claims that fell within the lag time.

#### Claim for VYVANSE 30 MG CAPSULE on June 15th - **Before** WAC Increase

Price Type	Rate	Effective Date
OAAC	\$11.25995	1/1/2022
NADAC	\$11.25494	1/1/2022
WAC	\$11.72440	1/1/2022
Pharmacy is Paid	\$11.25494 - Lesser of All	

#### Claim for VYVANSE 30 MG CAPSULE on July 15th - After WAC Increase

Price Type	Rate	Effective Date
OAAC	\$11.82295	7/1/2022
NADAC	\$11.81769	7/1/2022
WAC	\$12.31062	7/1/2022
Pharmacy is Paid	\$11.81769 - Lesser of All	

#### **OAAC Operational Considerations – FAQs**

- What is OAAC?
- How are OAAC rates calculated?
- How and at what frequency are OAAC rates maintained?
- What are the applicable drug types for OAAC?
- How do I ensure my costs are included/considered in the calculation of OAAC rates?
- How often can I expect to be surveyed?
- What is the criteria for being included or excluded from OAAC surveys?
- What if the OAAC rate is below my cost?
- How does the provider help desk determine if an OAAC rate should be increased?
- What if an OAAC rate inquiry is denied?

FAQs Posted Here: <a href="https://myersandstauffer.com/client-portal/ohio/">https://myersandstauffer.com/client-portal/ohio/</a> under the Other Relevant Information section.

## **Gainwell: Network Contracting Steps**

- Enroll / update info with Ohio Medicaid: <a href="https://portal.ohmits.com/Public/Providers/Enrollment/tabId/48/Default.aspx">https://portal.ohmits.com/Public/Providers/Enrollment/tabId/48/Default.aspx</a>
- Reach out to Gainwell for:
  - » Pharmacy information Excel document (locations / data for directory and contract)
  - » Contract provided for review in PDF
  - » Executable contract sent in DocuSign
- Timeline:
  - » Pharmacy information Excel document is needed first
  - » Please ensure this is returned to Gainwell as soon as possible
- Contact info:
  - » Email: OH MCD PBM network@gainwelltechnologies.com
  - » (833) 491-0364, Monday through Friday, 8 AM to 5 PM ET



#### Questions

- Please type questions into the chat window
- Questions will be answered in the order received

- If we do not have sufficient time to address all questions, we will provide an answer to the questioner directly after the meeting or address in a future FAQ update.
- Please direct additional questions to: <u>MedicaidSPBM@medicaid.ohio.gov</u>





## Thank you

• ODM would like to thank all participants for their time and for working to create a fair, accountable, and transparent pharmacy program for our managed care members.